ECONOMIC PREVIEW

REGIONS

Week of June 25, 2018

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the July31-August1 FOMC meeting):* Target Range Midpoint: 1.875 to 1.875 percent Median Target Range Midpoint: 1.875 percent	Range: 1.75% to 2.00% Midpoint: 1.875%	The FOMC may be moving at a gradual pace but nonetheless is lapping the field. Central bank policies remain on divergent paths, with the FOMC far ahead of the field in terms of withdrawing monetary accommodation. This does not figure to change much, particularly with rising uncertainty over the global growth outlook. As such, this divergence in central bank policies will likely remain a source of swings in exchange rates and interest rates over coming quarters.
May New Home Sales Monday, 6/25 Range: 649,000 to 683,000 units Median: 667,000 units SAAR	Apr = 662,000 units SAAR	Up to an annualized sales rate of 674,000 units. Like existing home sales, persistently lean inventories have acted as a drag on new home sales. Unlike existing home sales, which we fear may have already passed their cyclical peak, we see further upside room for new home sales, even if only at a grudging pace. Builders have for some time been contending with shortages of lots and labor, and more recently are facing sharply higher materials costs and accelerating growth in labor costs. Rising input costs, both materials and labor, make it increasingly difficult for builders to target, at least profitably, first-time buyers and others being shut out of the existing homes market due to limited inventories and rapid price appreciation. As such, while we do think new home sales have further room to the upside, we see that room as being fairly limited, particularly if mortgage rates continue to push higher. We look for not seasonally adjusted sales of 65,000 units, which would tie this March as the strongest month for new home sales since July 2007 and which would leave the running 12-month total of unadjusted sales at 639,000 units, the highest since May 2008.
June Consumer Confidence Tuesday, 6/26 Range: 126,2 to 130.0 Median: 127.5	May = 128.0	Down to 127.2. It would be reasonable to expect higher gasoline prices and stepped up tariff talk to have put a ding in consumer confidence. At the same time, increasingly favorable perceptions of labor market conditions – the May survey showed the most favorable assessment of labor market conditions since March 2001 – should keep confidence from straying too far from cycle highs. Yes, we are well aware the 2001 recession started that month, but, come on, work with us here . . .
May Durable Goods Orders Wednesday, 6/27 Range: -2.5 to 2.0 percent Median: -0.7 percent	Apr = -1.6%	Down by 1.3 percent, which reflects a sharp decline in orders for civilian aircraft. We look for ex-transportation orders to be up 0.5 percent and for core capital goods orders to be up by 0.4 percent.
May Advance Trade Balance: Goods Wednesday, 6/27 Range: -$-70.3 to -$67.5 billion Median: -$69.0 billion	Apr = -$67.3 billion	Widening to -$69.8 billion.
Q1 Real GDP – 3rd estimate Thursday, 6/28 Range: 2.1 to 2.4 percent Median: 2.2 percent SAAR	Q1 2nd est. = +2.2% SAAR	Up at an annualized rate of 2.1 percent. We look for upward revisions to prior estimates of construction outlays and net exports to be outweighed by a downward revision to consumer spending on services, dragging top-line growth down slightly. With annualized Q2 growth tracking right around 4.0 percent, our forecast of 3.0 percent growth for 2018 as a whole remains in reach, though the downside risks to our call seem to be mounting.
Q1 GDP Price Index – 3rd estimate Thursday, 6/28 Range: 1.9 to 1.9 percent Median: 1.9 percent SAAR	Q1 2nd est. = +1.9% SAAR	Up at an annualized rate of 1.9 percent.
May Personal Income Friday, 6/29 Range:0.1 to 0.5 percent Median: 0.4 percent	Apr = +0.3%	Up by 0.4 percent, led by growth in wage and salary earnings, interest income, and rental income. Our forecast would leave total personal income up 3.9 percent year-on-year, with private sector wage and salary earnings up 5.5 percent.
May Personal Spending Friday, 6/29 Range: 0.3 to 0.6 percent Median: 0.4 percent	Apr = +0.6%	Up by 0.4 percent. The May retail sales data point to a solid increase in spending on consumer goods, but one glaring exception is spending on home furnishings, shown to have fallen by 2.4 percent in the retail sales data. This lends some uncertainty to our forecast of spending on consumer durables, but the main takeaway is that growth in real consumer spending will be much stronger in Q2 than was the case in Q1.
May PCE Deflator Friday, 6/29 Range: 0.1 to 0.3 percent Median: 0.2 percent	Apr = +0.2%	Up by 0.2 percent, pushing the year-on-year increase up to 2.2 percent from 2.0 percent in April. We look for core PCE inflation to peak at 2.4 percent later this summer, not far enough above the FOMC's symmetric inflation target to prompt a policy reaction, before falling back towards that 2.0 percent target by year-end.
May PCE Deflator: Core Friday, 6/29 Range: 0.1 to 0.2 percent Median: 0.2 percent	Apr = +0.2%	Up by 0.2 percent, which translates into a year-on-year increase of 1.9 percent.

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